



# ILLUSTRATIVE PROGRAM FUNDING UPDATE

October 30, 2008

Transit Planning Board

# Overview

- **Updated Illustrative Program Financial Assumptions**
- **Revised Illustrative Program Cash Flow**
- **Sensitivity Tests**
- **Public-Private-Partnership Opportunities**

# Base Case Assumptions: Cost Growth

- ❑ **Reflects TPB/MARTA Revised Implementation Plan**
- ❑ **O&M Costs: 4% Increase Per Year**
- ❑ **Capital Costs: 4% Increase Per Year**

# Base Case Assumptions: Capital Funding (1)

## ❑ Existing Capital Funds

- ❑ MARTA's existing sales tax (50%)
- ❑ MARTA's estimate for region's FTA Section 5309, CMAQ and STP funds
- ❑ TIP Programmed Funds for Fast Track projects in 2009 and 2010

## ❑ Potential New Sales Tax

- ❑ Full-cent sales tax (or equivalent) in existing MARTA Counties plus remaining 12 regional counties
- ❑ 50% for capital

# Base Case Assumptions: Capital Funding (2)

## □ Other Capital Funding Assumed

### ▣ Federal Discretionary Funds

- 20% share of State of Good Repair costs

### ▣ State Funding

- 1% share of State of Good Repair costs

### ▣ Beltline LRT/Streetcar project assumed to be 50% funded through the Beltline Tax Allocation District (TAD)

### ▣ Net Operating Revenue: If operating revenues exceed costs, net revenues assumed to be available for capital costs and debt service

# Preliminary Operating Revenue Assumptions

## ❑ Existing O&M Revenue Sources

- ❑ MARTA Sales Tax (50%)
- ❑ Fare Revenue (MARTA and other regional transit systems)
- ❑ Region's FTA Section 5307
- ❑ Lease Income
- ❑ Transit Oriented Development Income
- ❑ Interest on Capital Reserve
- ❑ Lease to Service

## ❑ Potential New Sales Tax

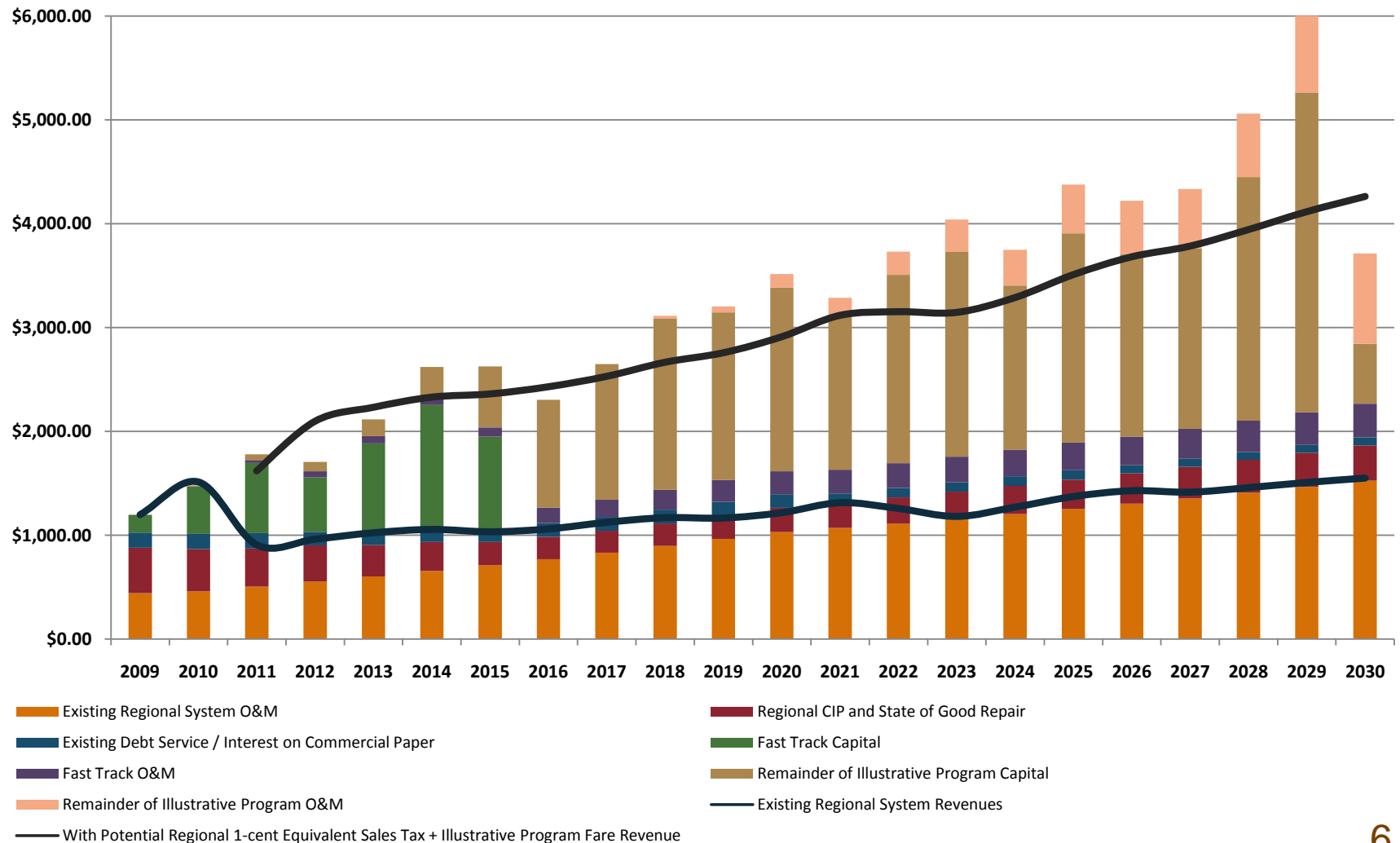
- ❑ Full-cent sales tax (or equivalent) in existing MARTA Counties plus remaining 12 regional counties
- ❑ 50% for Operating

## ❑ Other Potential Operating Revenue

- ❑ MARTA's estimate for FTA Section 5307 funds for the region
- ❑ 25% fare box recovery for Illustrative Program

# Estimated Annual Costs for Combined Existing Transit Systems & Illustrative Program

(YOE Dollars, in millions)



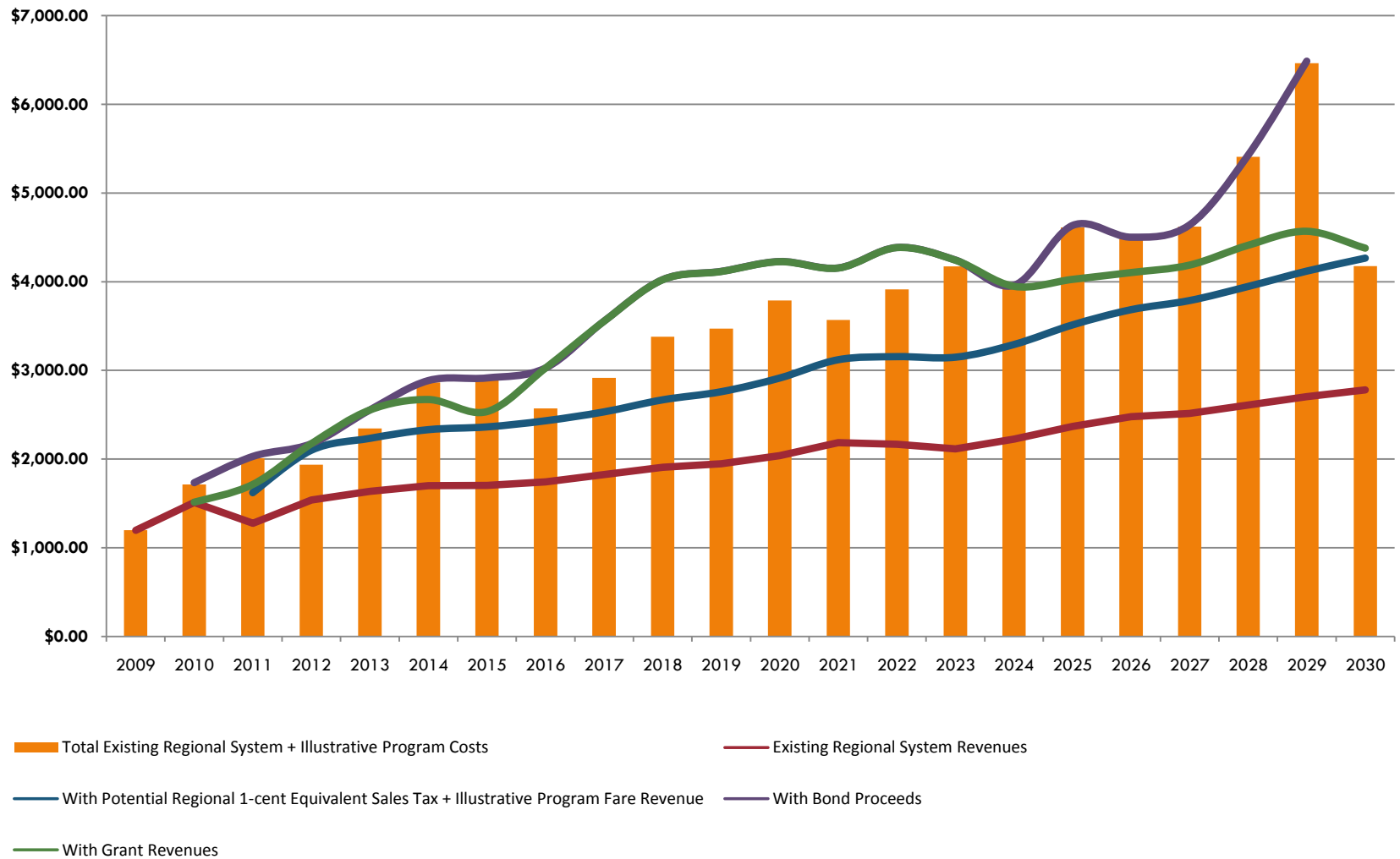
\* Assumes revenue from Potential Regional 1-cent Equivalent Sales Tax is split 50% for capital costs and 50% for operating costs

# Base Case Illustrative Program with Federal and State Grants and Bonding

- ❑ **Illustrative Program Funding Assumed Plus**
  - ❑ 10% State funding for Heavy Rail, Regional Rail, Commuter Rail and Suburban Bus
  - ❑ 50% State/HOT lane funding for Freeway BRT (beginning in 2013)
  - ❑ 20% FTA New Starts funding for Heavy Rail, High Capacity Regional Rail, and Commuter Rail programs (revenue received over 2016-2030 period)
  - ❑ Bonds issued as required with bond tests per MARTA Board policy

# Estimated Annual Costs, Revenues and Bond Proceeds

(YOE Dollars, in millions)



\* Assumes revenue from Potential Regional 1-cent Equivalent Sales Tax is split 50% for capital costs and 50% for operating costs

# Sensitivity Tests Conducted

## □ **Costs**

- ▣ With no change in sales tax revenue
- ▣ With equivalent reduction in sales tax revenue

## □ **Grant Revenue**

- ▣ State grants
- ▣ Federal grants

## □ **Bond Interest Rate**

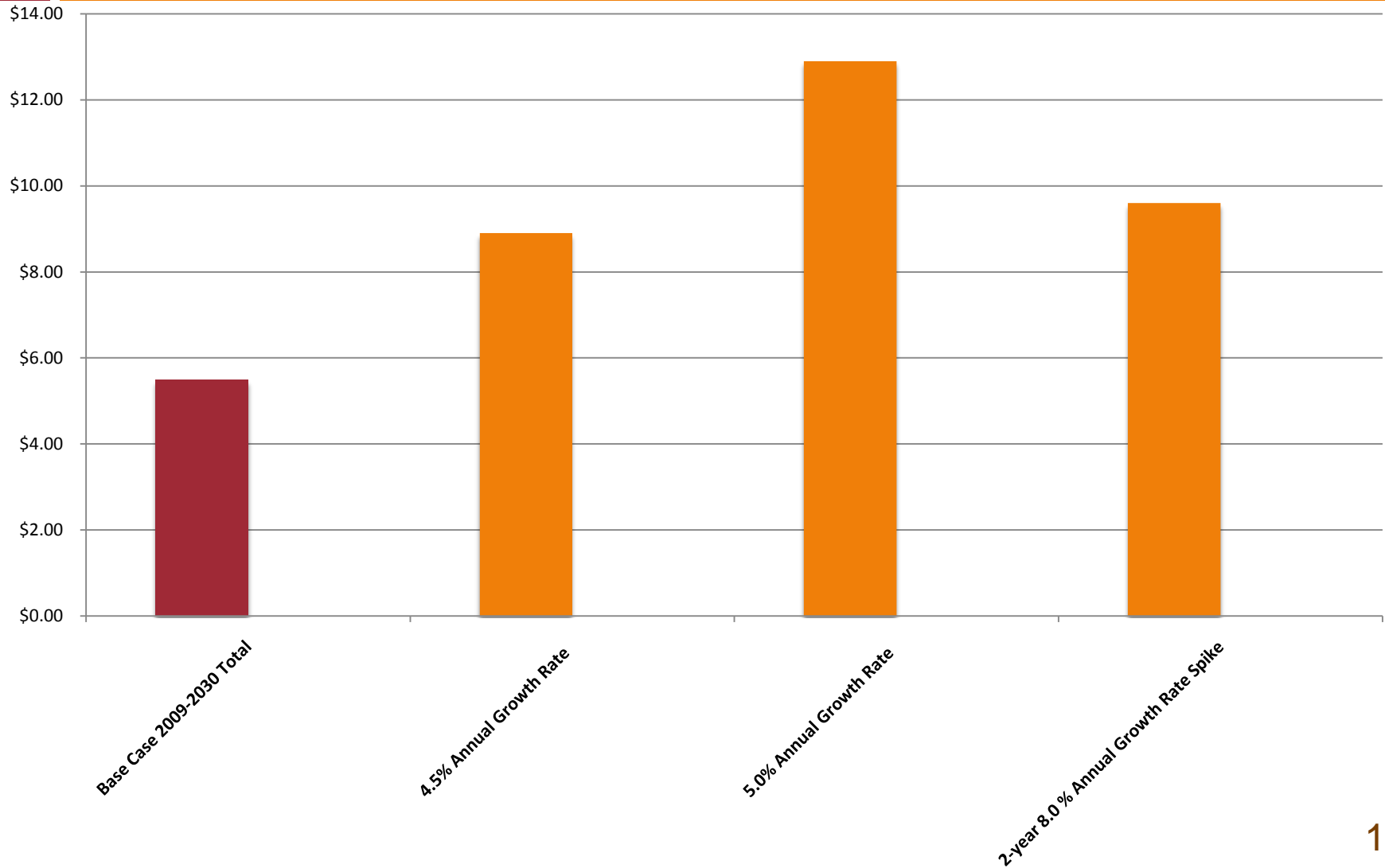
# Sensitivity Tests: Costs

Cost Escalation	Sales Tax Revenue Unchanged	Sales Tax Revenue Reduced
4.0%		-
4.5%		-0.5%
5.0%		-1.0%
8% for 2 yrs, then 4%		-3.0% for 2 yrs

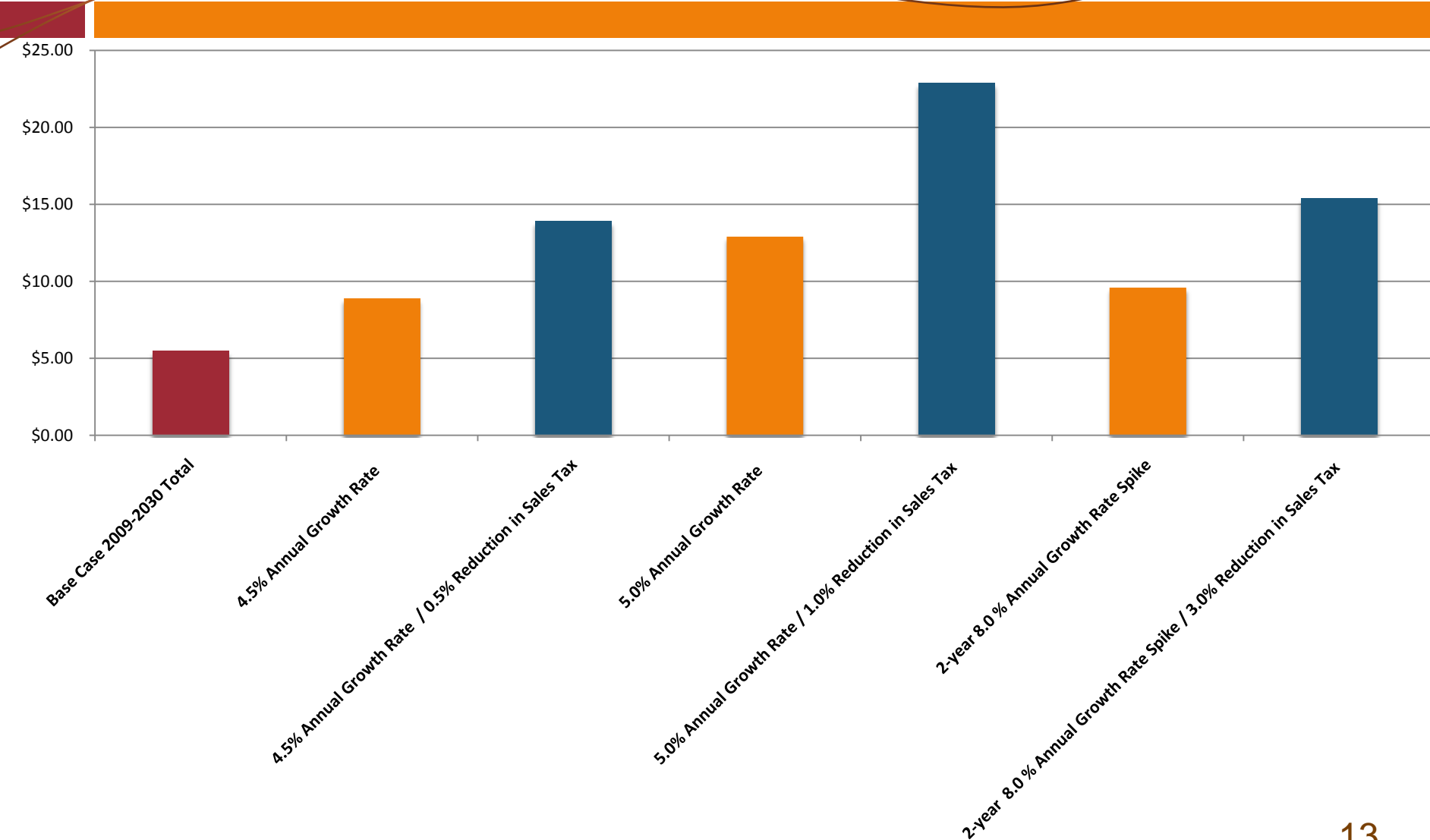
# Sensitivity Tests: Costs

Cost Escalation	Capital Cost (YOE \$)	Change
4.0%	\$31.7 B	
4.5%	\$33.8 B	+ \$2.1 B
5.0%	\$36.1 B	+ \$4.4 B
8% for 2 yrs, then 4%	\$34.2 B	+ \$2.5 B

# Costs Growth/No Change in Sales Tax Revenue – Total Bonding Required



# Costs Growth/No Change & Change in Sales Tax Revenue—Total Bonding Required



# Sensitivity Tests: Grant Revenues

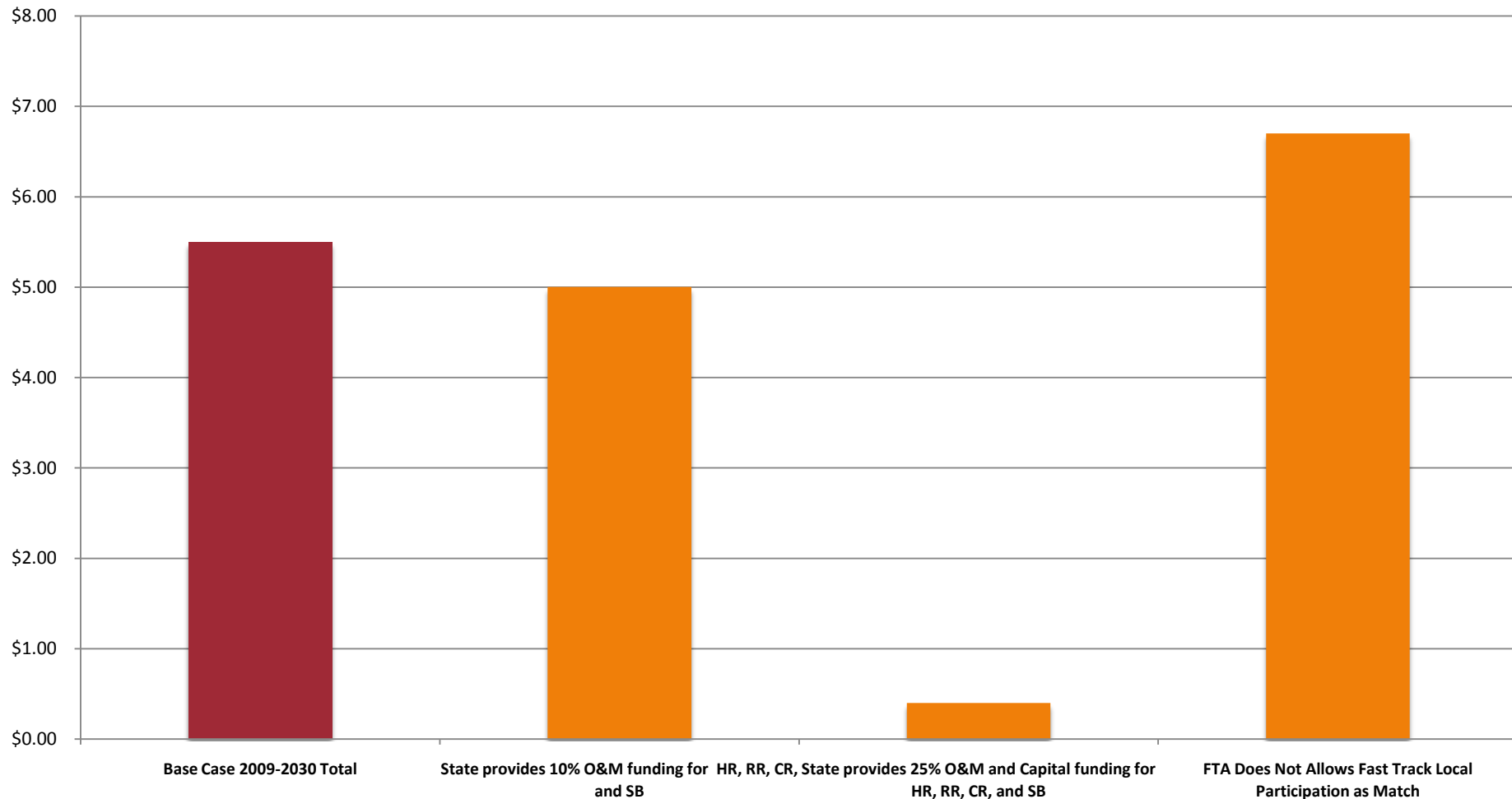
## □ State Grants

- ▣ Base: 10% capital funding for Heavy Rail, High Capacity Regional Rail, Commuter Rail, and Suburban Bus
- ▣ 10% capital and O&M funding
- ▣ 25% capital and O&M funding

## □ FTA New Starts Participation

- ▣ Base: 20% of Fast Track and Balance of Heavy Rail, High Capacity Regional Rail, and Commuter Rail Programs
- ▣ 20% of Balance Only

# Grant Revenues – Total Bonding Required



# Sensitivity Tests: Bond Interest Rate

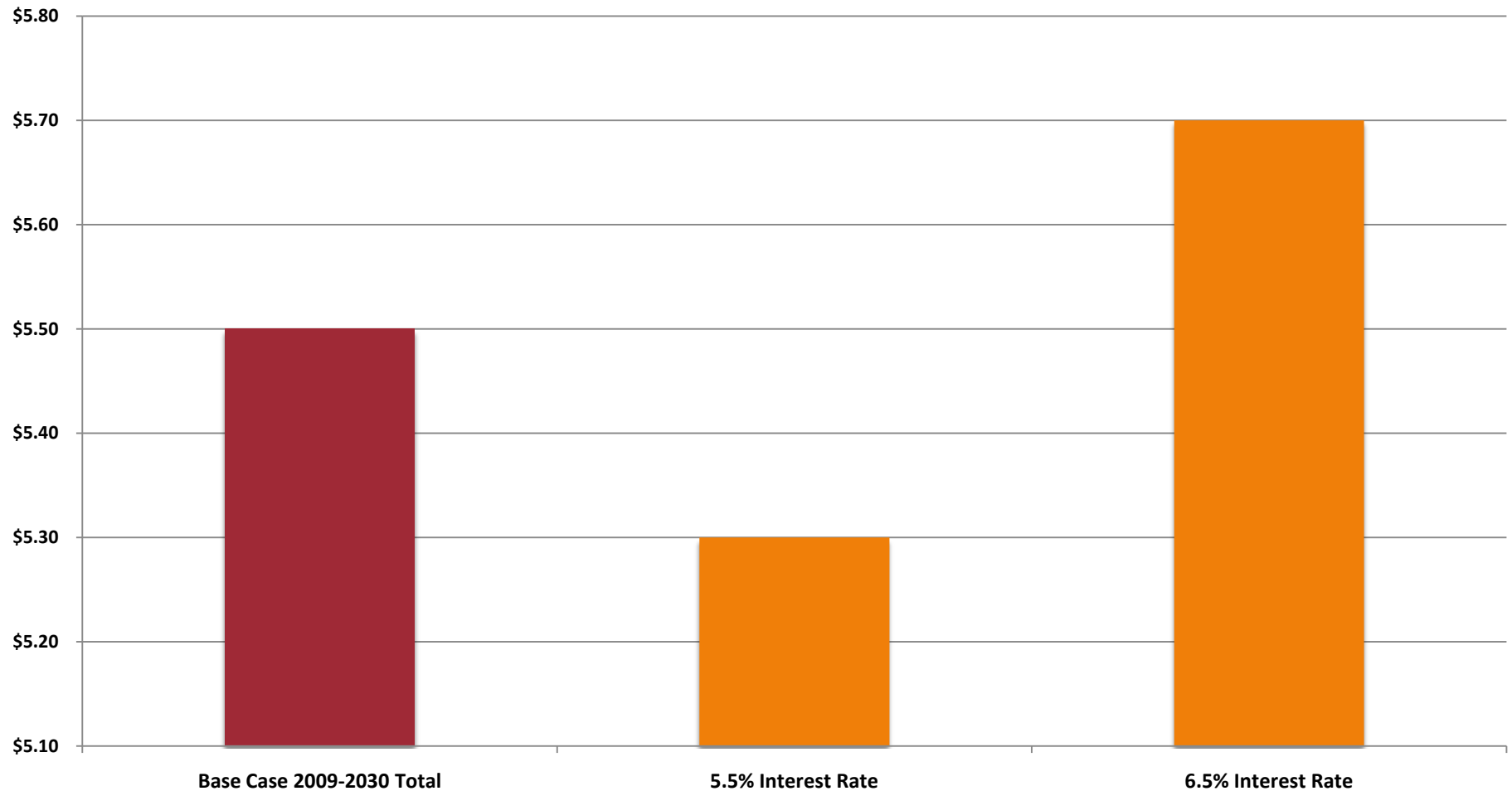
- **Annual Interest Rate**

- Base: 6.0%

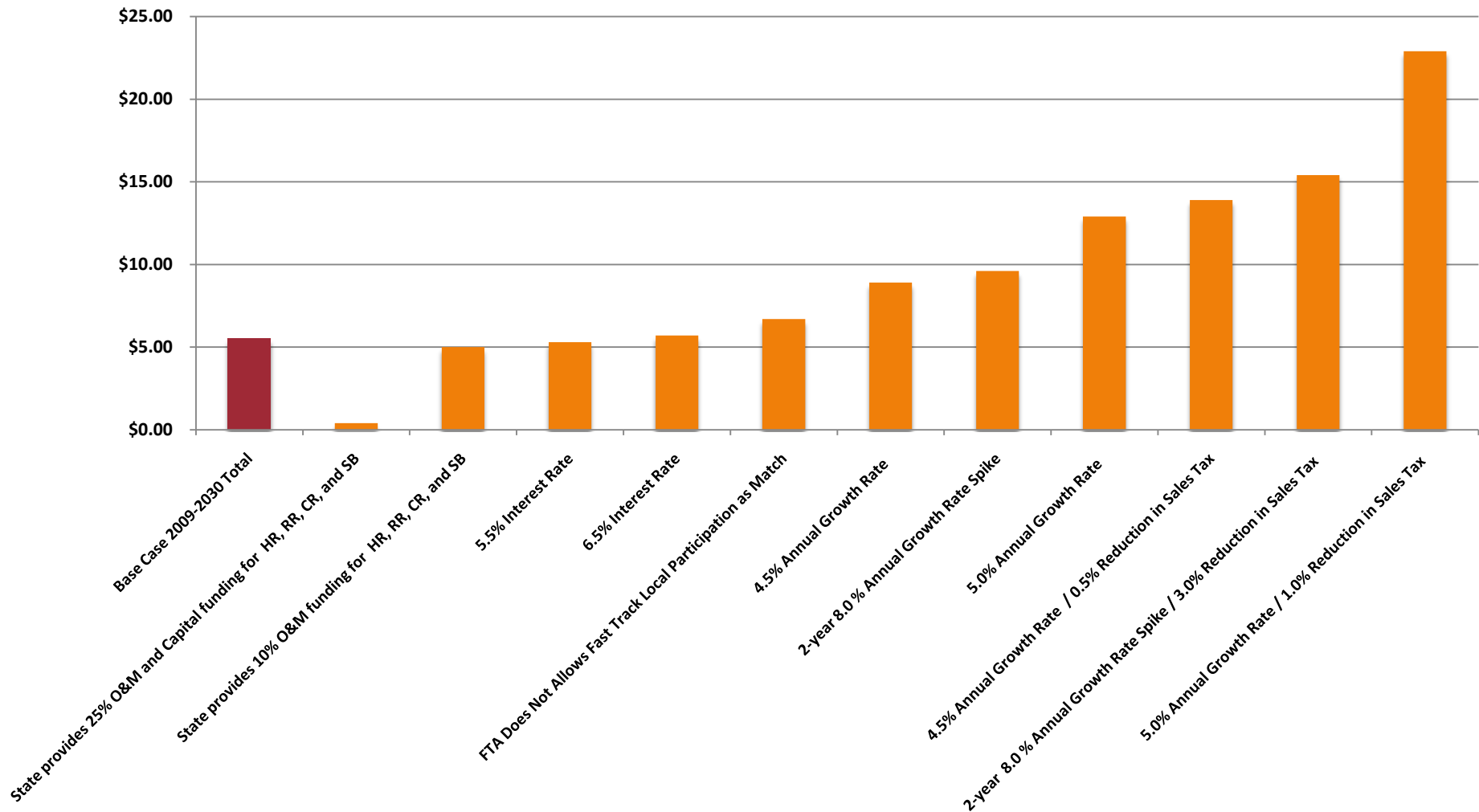
- Lower rate: 5.5%

- Higher rate: 6.5%

# Bond Interest Rate: Total Bonding Required



# Sensitivity Tests Summary Result: Total Bonding Required



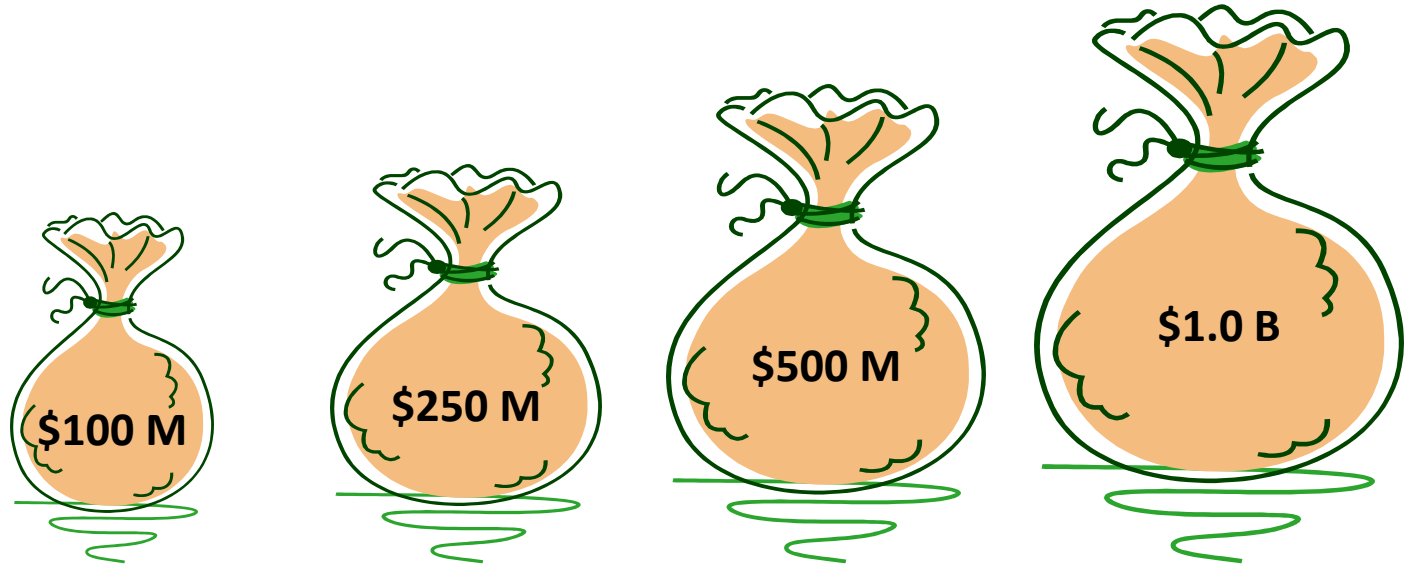
# Findings of Sensitivity Tests

- Full Illustrative Program could be implemented under alternative scenarios except annual Cost Escalation Rate 1% higher and sales tax revenue 1% lower.
- Regional 1-cent equivalent sales tax required
- Bonding required for 2030 implementation
- Increased state and federal participation reduces level of bonding

# Potential Additional Funding Sources

- **Gas tax**
- **Annual vehicle registration fee**
- **Motor vehicle excise tax**
- **Special tax districts (e.g., TAD, TMA, CID)**
- **Public Private Partnership**

# Order of Magnitude Estimates



Gas tax	\$0.035	\$0.088	\$0.175	\$0.35
Annual vehicle registration fee	\$30	\$75	\$150	\$300
Motor vehicle excise tax*	\$175	\$435	\$875	\$1,750

Source: July 2007 TPB Estimates

\* Assumes average value of \$10,000

# PPP: Perspectives and Expectations


- **Primary Objective:** Better facilitate project development and/or service delivery through creative approaches to sharing project risk
- **Private Sector Expectations:** Increased professional service opportunities and/or financial/investment opportunities, in return for an acceptable rate of return based on risk
- **Public Sector Expectations:** Combination of lowered cost, expedited delivery, improved service quality, new technology, risk reduction, increased technical/managerial expertise

# PPP: Benefits

- ❑ Expedited completion compared to conventional project delivery methods
- ❑ Potential project cost savings
- ❑ Improved quality and system performance including use of innovative management techniques
- ❑ Substitution of private resources and personnel for increasingly constrained public resources
- ❑ Potential access to sources of private capital

# Opportunities for Public Private Partnerships

- **Project Acceleration**
- **Advance Multiple Projects Simultaneously**
- **Financial Participation**
- **Joint Equipment / Rolling Stock Purchase**
- **Transit Oriented Development / Joint Development**
- **Outsourcing**
  - ▣ **Operations**
  - ▣ **Maintenance**



**Thank You  
Questions?**